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JUN 12 1967

Mr. Lawrence C. McGuire  
Acting Assistant Secretary  
for Domestic and International Business  
Department of Commerce  
Washington, D. C. 20230

Dear Larry:

Communications Equipment to Eastern Europe

The third attachment to your June 7 letter states that Commerce is not prepared to accept the State proposal to enter no objection to any COCOM exception case for export to Eastern Europe and the USSR of the frequency division multiplex equipment the U.K. proposed to remove from embargo, if the recipient government provided an assurance of peaceful end-use. Defense had previously commented in the State proposal. CIA's April 28 memoranda restated their view that the strategic argument is valid but they recognize there may be overriding foreign policy considerations in this case.

We believe there are overriding foreign policy considerations. A major objective in COCOM is to prevent exports to China which would contribute significantly to that country's nuclear and missile programs. U.S. refusal to relax various loans, including communications items, has led other COCOM participating countries to strained international relations under which exports to China as well as to Eastern Europe are permissible. There are some items important to China which we shall probably want to add to the COCOM List. Others will be very reluctant to agree to new coverage on a China argument if the U.S. has not clearly demonstrated a liberal position on exception cases to Eastern Europe for existing items for which China is the main justification. Controlling exports to China is not our only objective in COCOM but, in this instance, we believe it is our paramount objective.

The attachment to your letter suggests that any relaxation of this item should be considered as part of a larger package with which to seek a quid pro quo. In a formal sense, it is not possible to seek a quid pro quo in return for a U.S. policy on exception cases. This policy would not logically be documented together with international agreement on other issues of interest to the U.S. In an informal sense, the U.S. has already obtained a substantial quid pro quo. The U.K. raised the subject as an obvious bargaining point in connection with:

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the U.S. proposal for a consultation arrangement on computer exports to China. Yet the U.S. proceeded to agree with the U.S. computer proposal without waiting for a U.S. reply on the communications items. It is true, of course, that the U.S. had previously agreed to the export of U.S.-origin parts for the British ERM 4-50 computer to Czechoslovakia in return for British agreement to discuss the U.S. computer proposal. Moreover, even if the computer arrangement were completely discounted as a quid pro quo (which I think would be an exaggeration), we also now have British acceptance of our arguments on communications equipment as far as China is concerned. This is a significant milestone in that they do not concede that communications equipment meets the COMINT criteria for embargo. In other words, the British position constitutes a form of acceptance of a China differential. The prospect of no further British attacks in COMINT on this item constitutes a big plus in terms of reducing bitterness at future List Reviews.

We therefore plan to send a letter to the United Kingdom in a few days along the lines of our April 14 proposal to you (copy enclosed).

Sincerely yours,

Joseph A. Greenwald  
Deputy Assistant Secretary  
for International Trade Policy

Enclosure:

Copy of letter to the United Kingdom.

E/ENT;WARoot:sb

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cc: Defense - Mr. Barber  
CIA - Mr. Morell

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Mr. Philip M. Hilly  
Commodore (Commercial)  
510 Massachusetts Avenue, N.W.  
British Embassy  
Washington, D. C. 20541

Dear Sir:

On February 24 you asked that we reconsider the U.S. proposals to (1) relax the embargo on frequency division multiplex equipment, as described in COCOM Doc (66) 1522/2 and (2) delete the embargo on conventional coaxial cable, sub-item 1522(c). At that time I stressed the special U.S. concern on export of these items to China. On April 18 Mr. O'Brien informed us that, although you do not feel the items warrant embargo by application of the strategic criteria, you accept the U.S. argument on just as China is concerned. We appreciate your response.

I would like to confirm that the U.S. will enter no objection to any COCOM case, such case for export to Eastern Europe and the USSR of those you propose to remove from embargo provided that, in the case of coaxial cable, deliveries contracted do not extend beyond twelve months from the day of signing of the contract and amounts for individual transactions are reasonable and, in the case of multiplex equipment, the recipient government provides an assurance of peaceful end-use. It is not expected that this condition will cause difficulties, because the state trading organizations in these countries normally provide statements on end use.

Sincerely yours,

Joseph A. Greenwald  
Deputy Assistant Secretary  
for International Trade Policy

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